CIMB Group (CIMB MK)

1Q26: Resilient Showing Despite Forex Headwinds

BUY (Maintained)	
Share Price	RM7.68
Target Price	RM9.30
Upside	21.1%

Analyst(s)
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Highlights

- 1Q26 earnings were in line (-3% yoy) as forex translation weakness was partly offset by strong non-interest income.
- For 2026, we forecast a similar payout assumption (65% inclusive of special dividends) which translates into a yield of 6.1%.
- Maintain BUY and target price of RM9.30 (1.28x 2026F P/B, 11.7% ROE). The stock offers a lush dividend yield of 6.5% for 2026.

1Q26 Results

Year to 31 Dec	1Q26 (RMm)	1Q25 (RMm)	yoy % chg	4Q25 (RMm)	qoq % chg
Net Interest Income	2,666.0	2,822.5	(5.5)	2,879.8	(7.4)
Islamic Banking	1,188.7	1,214.3	(2.1)	1,170.6	1.5
Fees & Commissions	595.3	614.8	(3.2)	569.2	4.6
Other Operating Income	968.8	853.3	13.5	813.6	19.1
Modification loss	(8.5)	(5.9)	45.0	(14.3)	(40.5)
Total Income	5,410.3	5,499.0	(1.6)	5,418.9	(0.2)
Operating Expenses	(2,554.8)	(2,579.7)	(1.0)	(2,704.5)	(5.5)
PPOP	2,855.5	2,919.3	(2.2)	2,714.4	5.2
Allowance for impairment on loans	(357.3)	(287.6)	24.2	(252.5)	41.5
Impairment on securities	1.2	(23.4)	(105.0)	44.1	(97.4)
Core PBT	2,559.5	2,632.9	(2.8)	2,577.2	(0.7)
Core Net Profit	1,924.9	1,979.3	(2.7)	1,933.8	(0.5)
EPS (sen)	17.8	18.3	(2.8)	17.8	(0.2)
DPS (sen)	0.0	0.0	n.a.	20.3	n.a.
Financial Ratios (%)	1Q26 %	1Q25 %	yoy +/- ppt	4Q25 %	qoq +/- ppt
NIM	2.08	2.16	(0.08)	2.10	(0.02)
Loan Growth, yoy	1.1	4.5	(3.4)	0.2	0.9
Cost/Income Ratio	47.1	46.9	0.3	49.8	(2.6)
Reported ROE	11.0	11.4	(0.4)	10.9	0.1
NPL Ratio	1.7	2.2	(0.5)	1.7	(0.0)
Credit Costs (bp)	31.4	25.6	5.8	22.3	9.1
CET-1 CAR	13.8	14.7	(0.9)	14.3	(0.5)

Source: CIMB Group, UOB Kay Hian

Analysis

- **In line.** CIMB Group (CIMB) reported 1Q26 net profit of RM1.92b (-2.7% yoy, flat qoq), broadly in line at 23% of our full-year forecast. On a constant-currency basis, earnings rose 2% yoy. Reported earnings were weighed down largely by negative forex translation from a stronger ringgit against regional currencies and to a certain extent by higher net credit cost and an 8bp NIM compression. Excluding forex impact, 1Q26 earnings and pre-provision operating profit (PPOP) grew 2% yoy and 3% yoy, respectively, supported by strong non-interest income growth (+8% yoy), partly offset by provision normalisation (lower write-backs) and NIM compression.

Key Financials

Year to 31 Dec (RMm)	2024	2025	2026F	2027F	2024
Net interest income	11,367	11,319	11,904	12,878	13,984
Non-interest income	6,197	6,245	6,533	6,855	7,155
Net profit (rep./act.)	7,728	7,860	8,319	8,980	9,697
Net profit (adj.)	7,728	7,860	8,319	8,980	9,697
EPS (sen)	71.8	73.0	77.3	83.4	90.6
PE (x)	10.7	10.5	9.9	9.2	8.5
P/B (x)	1.2	1.2	1.1	1.1	1.0
Dividend yield (%)	6.1	6.1	6.6	7.1	7.7
Net int margin (%)	2.29	2.24	2.25	2.25	2.26
Cost/income (%)	46.7	47.2	47.5	47.2	46.8
Loan loss cover (%)	105.3	103.2	140.5	223.3	567.7
Consensus net profit	-	-	8,231	8,744	9,332
UOBKH/Consensus (x)	-	-	1.01	1.03	1.04

Source: CIMB Group, Bloomberg, UOB Kay Hian

Stock Data

GICS Sector	Financials
Bloomberg ticker	CIMB MK
Shares issued (m)	10,803.3
Market cap (RMm)	82,969.4
Market cap (US$m)	20,882.3
3-mth avg daily t'over (US$m)	32.6

Price Performance (%)

52-week high/low				RM8.95/RM6.39
1mth	3mth	6mth	1yr	YTD
(1.5)	(9.2)	2.0	11.3	(6.9)

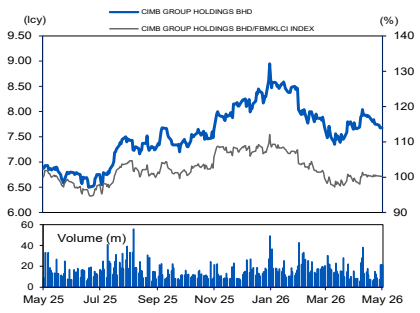
Major Shareholders

	%
Khazanah Nasional Bhd	21.4
EPF	17.6

Balance Sheet Metrics

FY26F NAV/Share (RM)	6.78
FY26F CAR Tier -1 (%)	15.2

Price Chart



Source: Bloomberg

Company Description

CIMB Group is Malaysia's largest investment bank and second-largest consumer bank and one of Southeast Asia's leading universal banking groups.

- **Strong underlying qoq performance.** 1Q26 earnings were flat qoq, as strong PPOP growth (+5%) was offset by normalisation in net credit cost to 31bp (from 26bp in 4Q25), due to lower overlay write-backs and the absence of macroeconomic factor (MEF) write-backs. Excluding forex impact, PPOP grew a stronger 7% qoq, driven by robust non-interest income growth (+15% qoq) on strong treasury and forex income growth and positive operating jaws, partly offset by a 2bp NIM compression.
- **NIM expected to stabilise.** Group NIM declined 2bp qoq to 2.08%, mainly due to margin compression in Indonesia. Meanwhile, other markets saw stable to improving qoq NIMs. Management highlighted a one-off NIM impact of about 3bp at Niaga in 1Q26; excluding this, Niaga's NIM decline would have been a milder 2bp qoq vs the reported 5bp, and group NIM would have been broadly stable qoq. The recent surprise rate hike in Indonesia and continued deposit repricing in Malaysia should support NIM stabilisation ahead. Liquidity remains healthy with rational deposit competition, and management maintained its 2026 NIM guidance of -5bp to +5bp (vs our +2bp).
- **Stable asset quality trend.** GIL ratio remained stable at 1.7% (1Q25: 1.7%) as NPL. However, net credit cost rose qoq to 31bp (from 26bp in 4Q25), due to lower overlay write-backs and the absence of MEF write-backs. LLC remained stable and healthy at 101%, above pre-COVID-19 levels of 87% and the current industry average of 85%. Apart from a mild festive season uptick in certain consumer portfolio delinquencies in March (now normalised), management noted that overall delinquency trends have remained broadly stable, despite ongoing supply chain disruptions from the Middle East crisis.
- **Retaining credit cost guidance: Flexibility to reallocate management overlays.** Management introduced overlays in 1Q25-2Q25 for US trade tariffs, which remain intact as asset quality has stayed stable over the past 12 months. This provides flexibility to reallocate excess overlays toward potential inflationary pressures from higher oil prices, limiting the need for excessive additional provisions amid the Middle East crisis. As such, management has retained its 2026 net credit cost guidance of 25-35bp despite the ongoing Middle Eastern crisis.
- **Outlook.** Despite ongoing geopolitical and macro headwinds, management has largely retained its 2026 guidance. Management alluded that the outlook remains constructive, underpinned by resilient asset and loan growth supported by a healthy pipeline. Early signs suggest NIM compression may be bottoming out, while strong client cross-sell and trading income continue to support robust non-interest income growth. Cost discipline is being maintained, alongside a continued focus on asset quality preservation.
- **2026 guidance.** Management's key 2026 guidance is as follows: a) ROE: 11.0-11.5%, b) asset growth: 5-7%, c) net credit cost: 25-35bp, and d) cost-to-income ratio: less than 47%.

Valuation/Recommendation

- **Maintain BUY and target price of RM9.30 (1.28x 2027F P/B, 11.7% ROE).** The stock offers a lush dividend yield of 6.5% for 2026. Valuations also remain inexpensive on both P/BV (1.15x vs 11.7% ROE) and PE metrics (10.9x 2026 and 10.1x 2027).

Earnings Revision/Risk

- No revision to earnings.
- **Risks.** Key downside risks include a sharper-than-expected depreciation of the rupiah, which could weigh on revenue translation from CIMB Niaga; weaker-than-expected asset quality trends; and heightened deposit competition, which may exert further pressure on NIM.

Share Price Catalyst

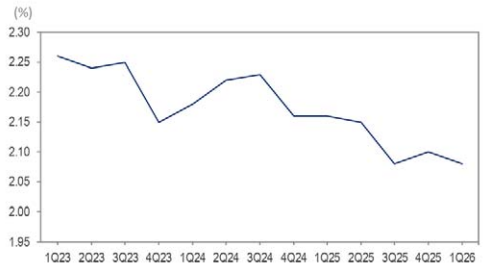
- Stronger-than-expected trading income.
- Higher-than-expected NIM.

Key Assumptions

(%)	2026F	2027F	2028F
Loan Growth	5.0	5.2	5.5
Credit Cost (bp)	25.0	25.0	25.0
ROE	11.3	11.7	12.1

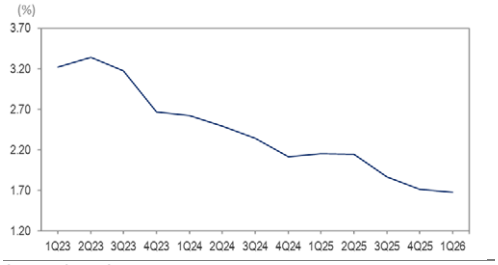
Source: CIMB Group

Group NIM Trend



Source: CIMB Group

Group GIL Ratio Trend



Source: CIMB Group

Environmental, Social, Governance (ESG) Updates

Environmental

- **Green loan commitment.** To provide RM30b in sustainable financing by 2040.
- **Zero new coal financing.** Transition all stakeholders to zero carbon emission by 2050.

Social

- **Board and upper management gender diversity.** Maintained 30% female directors on the Board.
- **Enhanced financial inclusion to B40.** Provide greater financial inclusion for vulnerable communities (affordable housing financing) and welfare assistance to vulnerable communities, especially the B40 consumers.

Governance

- **Non-independent board of directors composition.** Composition of Independent Non-Executive Directors (INED) – 60%.

Source: UOB Kay Hian

Profit & Loss

Year to 31 Dec (RMm)	2025	2026F	2027F	2028F
Interest income	25,145	26,273	27,834	29,554
Interest expense	(13,826)	(14,369)	(14,956)	(15,570)
Net interest income	11,319	11,904	12,878	13,984
Fees & commissions	2,380	2,666	2,986	3,284
Other income	92	94	96	98
Non-interest income	3,773	3,773	3,773	3,773
Income from Islamic banking	4,959	5,256	5,572	5,906
Total income	22,523	23,693	25,305	27,046
Staff costs	(6,344)	(6,849)	(7,397)	(7,991)
Other operating expense	(4,283)	(4,416)	(4,544)	(4,666)
Pre-provision profit	11,896	12,428	13,364	14,389
Loan loss provision	(1,382)	(1,183)	(1,243)	(1,305)
Other provisions	128	(149)	(140)	(140)
Associated companies	94	74	75	75
Other non-operating income	(56)	0	0	0
Pre-tax profit	10,680	11,170	12,057	13,019
Tax	(2,652)	(2,681)	(2,894)	(3,125)
Minorities	(169)	(170)	(183)	(198)
Net profit	7,860	8,319	8,980	9,697
Net profit (adj.)	7,860	8,319	8,980	9,697

Balance Sheet

Year to 31 Dec (RMm)	2025	2026F	2027F	2028F
Cash with central bank	8,217	16,567	17,395	18,265
Govt treasury bills & securities	16,557	16,888	17,226	17,570
Interbank loans	4,658	5,081	5,544	6,048
Customer loans	444,920	464,120	486,545	510,090
Investment securities	214,202	239,621	267,949	299,519
Derivative receivables	15,266	17,097	19,149	21,447
Associates & JVs	2,381	2,500	2,625	2,756
Fixed assets (incl. prop.)	2,567	2,454	2,339	2,221
Other assets	69,956	76,561	83,937	92,181
Total assets	778,724	840,890	902,708	970,098
Interbank deposits	49,908	53,232	56,789	60,596
Customer deposits	510,047	530,449	551,667	573,734
Derivative payables	58,457	60,953	63,555	66,271
Debt equivalents	29,410	29,410	29,410	29,410
Other liabilities	58,994	92,335	123,440	158,643
Total liabilities	706,817	766,379	824,862	888,653
Shareholders' funds	70,561	72,994	76,146	79,547
Minority interest - accumulated	1,347	1,516	1,700	1,898
Total equity & liabilities	778,724	840,890	902,708	970,098

Operating Ratios

Year to 31 Dec (RMm)	2025	2026F	2027F	2028F
Capital Adequacy				
Tier-1 CAR	14.3	15.2	14.8	14.5
Total CAR	18.0	19.9	19.3	18.6
Total assets/equity (x)	11.0	11.5	11.9	12.2
Tangible assets/tangible common equity (x)	12.3	12.8	13.1	13.5
Asset Quality				
NPL ratio	1.7	1.4	0.9	0.4
Loan loss coverage	103.2	140.5	223.3	567.7
Loan loss reserve/gross loans	1.8	1.9	2.1	2.3
Increase in NPLs	(18.7)	(15.7)	(28.6)	(55.8)
Credit cost (bp)	31.1	25.0	25.0	25.0
Liquidity				
Loan/deposit ratio	87.2	87.5	88.2	88.9
Liquid assets/short-term liabilities	5.2	6.6	6.6	6.6
Liquid assets/total assets	3.8	4.6	4.4	4.3

Key Metrics

Year to 31 Dec (%)	2025	2026F	2027F	2028F
Growth				
Net interest income, yoy chg	(0.4)	5.2	8.2	8.6
Fees & commissions, yoy chg	1.3	12.0	12.0	10.0
Pre-provision profit, yoy chg	0.1	4.5	7.5	7.7
Net profit, yoy chg	1.7	5.9	7.9	8.0
Net profit (adj.), yoy chg	1.7	5.9	7.9	8.0
Customer loans, yoy chg	0.6	4.3	4.8	4.8
Customer deposits, yoy chg	2.8	4.0	4.0	4.0
Profitability				
Net interest margin	2.24	2.25	2.25	2.26
Cost/income ratio	47.2	47.5	47.2	46.8
Adjusted ROA	1.0	1.0	1.0	1.0
Reported ROE	11.2	11.6	12.0	12.5
Adjusted ROE	11.2	11.6	12.0	12.5
Valuation				
P/BV (x)	1.2	1.1	1.1	1.0
P/NTA (x)	1.3	1.3	1.2	1.1
Adjusted P/E (x)	10.5	9.9	9.2	8.5
Dividend Yield	6.1	6.6	7.1	7.7
Payout ratio	64.5	65.4	65.4	65.0

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